TURKISH ECONOMIC OUTLOOK

Prepared by: Burcu Aydın Özüdoğru
Contributors: Ömer Faruk Can and Yağmur Uzunırmak

September 2023
Issue: 1

tepav

EXECUTIVE SUMMARY

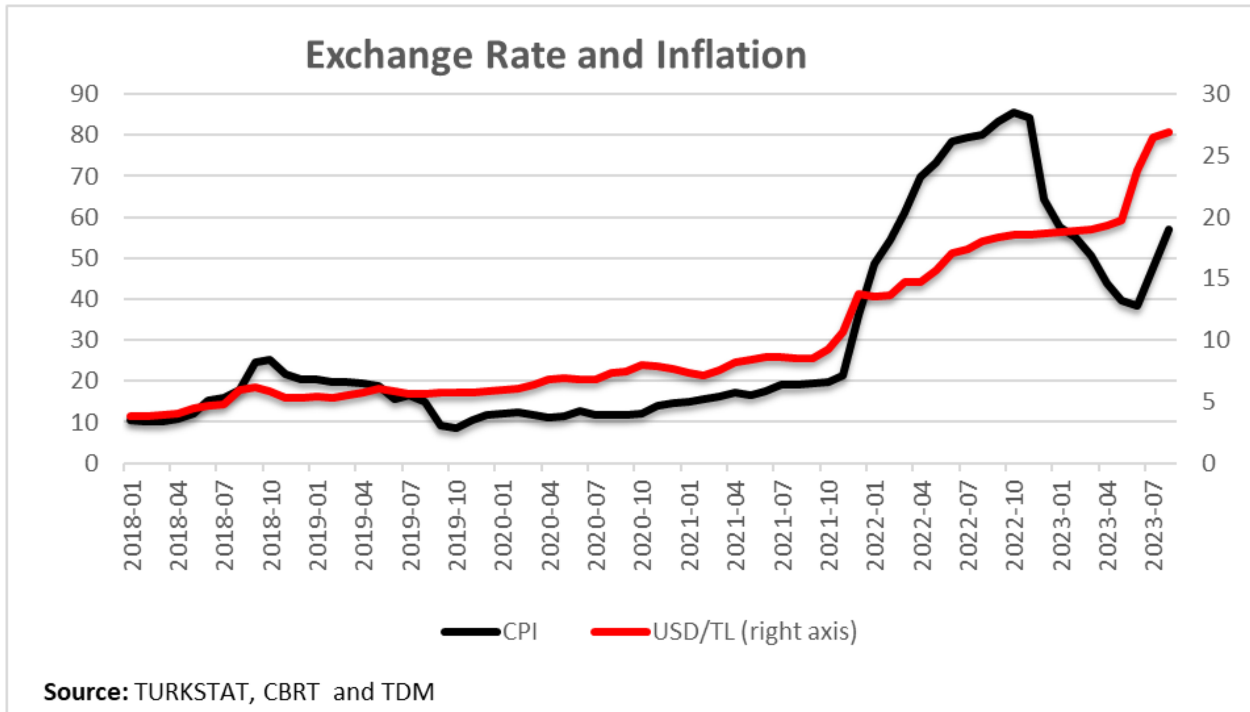
This report provides an outlook for the Turkish economy according to the global prospects and the policy framework that has been announced by the Turkish authorities. The Turkish economy is expected to slow down in the third quarter of 2023 and contract in the last quarter due to rising domestic interest rates and a slowdown in external demand. Based on the authorities' economic objectives to reduce inflation and improve financial stability, we expect the Central Bank to hike the policy interest rate up to 40 percent in 2023 and to 45 percent in 2024. Feeding a tightening of financial conditions to our estimation models, we estimate GDP growth during the 2023-25 period consecutively at 3.7 percent, 2.9 percent, and 3.4 percent. Despite a slowdown in economic activity, we expect the disinflation process to be long and costly due to the impact of pricing shocks of the summer of 2023, and a deterioration in inflation expectations. In this context, we estimate consumer inflation at 66 percent at the end of 2023, 39 percent in 2024, and 26 percent in 2025. The public sector financials will deteriorate in 2023 due to the additional and nondiscretionary spending increases in the pension system and public personnel, the large exchange rate shocks, and the rise in domestic interest rates. Reconstruction expenses due to the damage caused by the Kahramanmaraş-centered earthquake will also impose a high burden on the 2024 and 2025 spending obligations. Further, a weak domestic demand, a narrow tax base, and a sizeable informal sector are also expected to limit the increase in the budget revenues going forward. In this setup, we estimate that the public sector deficit will increase to 8.1 percent of GDP in 2024. In 2025, with the help of improving macro-financial conditions, we estimate the public sector deficit at 5.5 percent of the GDP. High deficits lead to higher borrowing, and therefore we estimate the debt-to-GDP at around 40 percent in 2024 and 44 percent in 2025. Our simulations show that the current account deficit will come down to 3.6 percent of the GDP by the end of 2025 with a moderating in domestic demand. Shocks to the implementation of the monetary policy framework and structural policies, and access to international finance may create upward or downward risks to the economic outlook.

Contents

OVERVIEW 3
ECONOMIC OUTLOOK 6
A. Global Prospects and Domestic Policies 6
B. Real Economy and the Labor Market 7
C. Inflation 10
D. Public Sector 11
E. External Sector 13
F. Risks to the Outlook 14
REFERENCES 16
TABLES: Selected Economic Indicators 17

OVERVIEW

An economic model based on negative real interest rates and market regulations has been implemented in the Turkish economy until recently. In this policy setup, which gained momentum in the second half of 2021, the authorities aimed to increase economic growth and reduce current account deficit and inflation by reducing the cost of borrowing for companies via reducing interest rates. Amid a negative interest policy, the authorities also intended to limit exchange rate depreciation, and therefore, interfered heavily to the capital and financial markets.



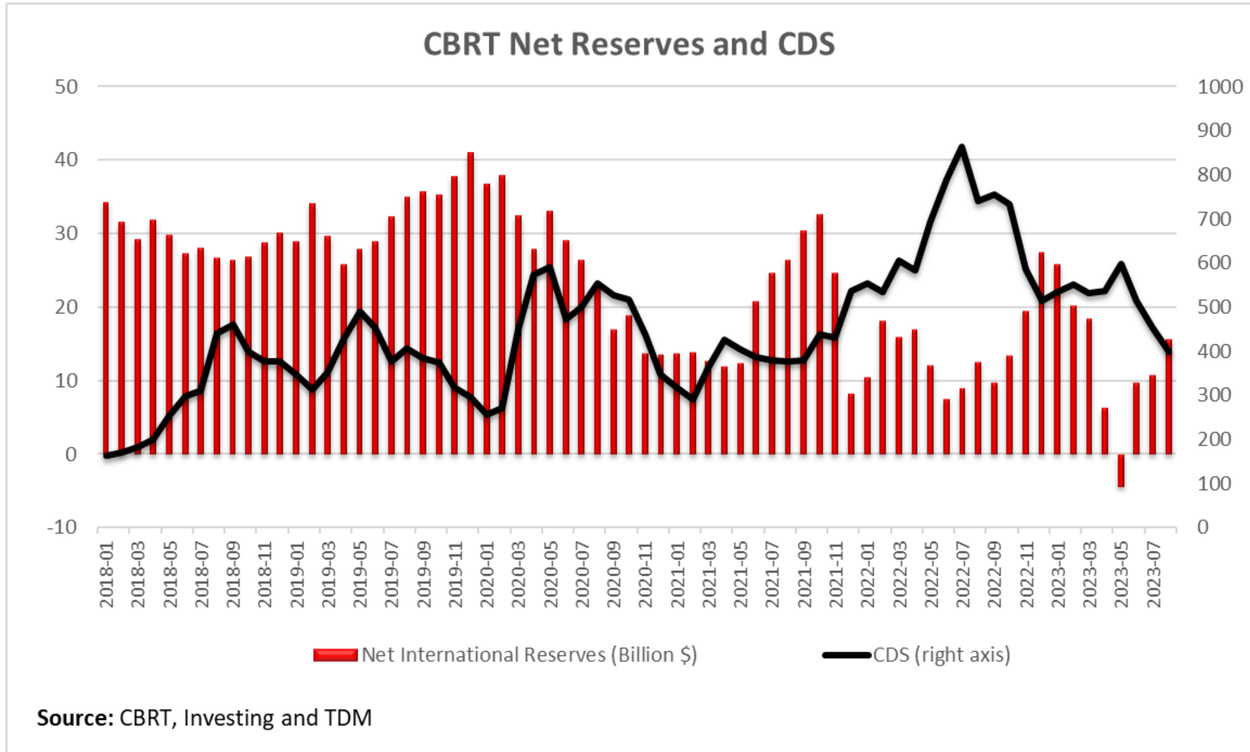
Source: TURKSTAT, CBRT and TDM

These policies caused rapid depreciation of the exchange rate, a spike in inflation, and stress in the financial markets. Negative real interest rate policy incentivized households to consume heavily and therefore spiked the demand for imports. It has also reduced the attractiveness of TL-denominated deposits as an investment tool and increased the demand for foreign currency and other assets such as real estate. The change in consumption and investment preferences caused a significant depreciation in the TL and a deterioration in the financial risk perception.[1]

The authorities relied heavily on exchange market interventions and capital/financial market regulations to stabilize the exchange rate, reduce inflation, and keep the financial risk perception under control. Among the first and most frequently used instruments were the Central Bank's reserves. In

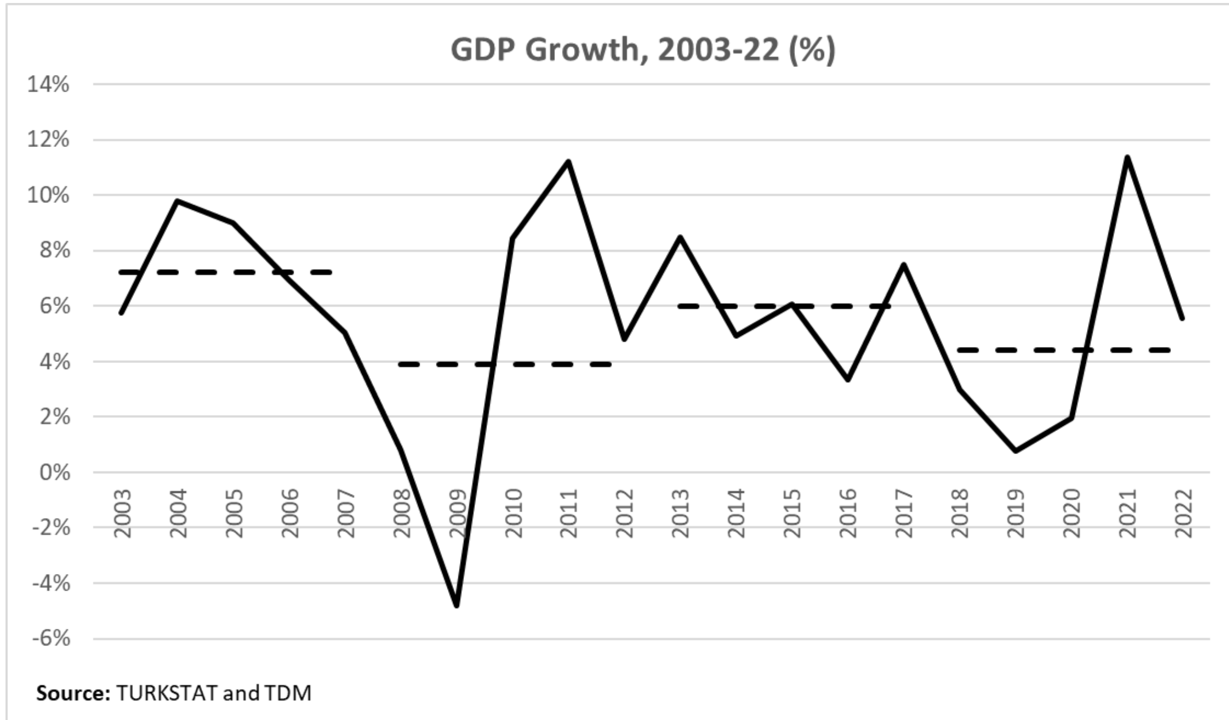
[1] IMF (2022) "Republic of TURKIYE Financial Sector Assessment" provides a detailed analysis of the vulnerabilities in the Turkish financial sector.

addition to the reserve policy, the authorities have introduced numerous capital and financial market regulations. However, it was not possible to stabilize the exchange rate with limited reserves in an open market economy. Therefore, the authorities introduced Exchange Rate Protected Deposits (KKM) at the end of 2021 to stabilize the exchange rate. Despite all these controls and regulations, as of May 2023, the Central Bank's international reserves have fallen to minus $4.4 billion.



Source: CBRT, Investing and TDM

This economic policy framework increased the volatility of growth and reduced the overall performance. The negative real interest policy coincided with a period of rising global and geopolitical risk perception. This combination led to an economic boom-bust cycle with a mediocre growth performance. Despite a record growth rate of 11.4 percent in 2021, following the end of the Covid-19 pandemic, and a booming allocation of credit, mainly via public banks, the GDP increased at an annualized average growth rate of 4.4 percent during 2018-22. This is the second-lowest growth rate observed over the last 20 years, including the period of the global financial crisis.



Source: TURKSTAT and TDM

After the 2023 elections, economic policy began to evolve towards orthodox policies. In monetary policy, the Central Bank introduced interest rate hikes to control inflation and reduce macro-financial risks; however, these hikes were limited in magnitude as the authorities wanted to maintain high growth at the same time. Since the interest rate hikes in June and July did not provide the tightening expected by the market, the pressure on the exchange rate continued. The Central Bank hiked the policy rate by another 7.5 pp in August. The rapid interest rate hike helped improve the perception of financial risk, but it did not close the negative real interest margin, and therefore, could not alleviate the pressure on the exchange rate. In addition, the heavy reliance on foreign exchange-denominated or linked deposit accounts keeps the depreciation pressure on the exchange rate.

On the public finance side, new tax measures were introduced to control the rise in expenditures. Significant new spending items have been marked on the public budget in 2023. The reconstruction cost of the Kahramanmaraş-centered earthquake that took place in February 2023 corresponds to an amount ranging between $100 and $150 billion according to various analyses (Presidency of Strategy and Budget (2023) and Aydın Özüdoğru (2023)]. In 2023, a significant portion of employees over the age of 40 have gained access to early retirement. Additionally, above-inflation hikes in pensions and wages of public personnel were introduced during the first seven months of 2023. Rapid exchange rate depreciation and interest rate shocks in the second half of the year also increased public expenditures. In this context, in the first 7 months of 2023, budget expenses increased by 97 percent and interest expenses increased by 107 percent. In June and July, the increase in interest expenses reached 155 percent annually.

January-July (Billion TL)	2022	2023	Rise (%)
Central Government Expenditures	1,432,850	2,819,416	97
o.w. Excluding Interest Payments	1,281,502	2,506,466	96
o.w. Interest Payments	151,347	312,951	107

June-July (Billion TL)	2022	2023	Rise (%)
Central Government Expenditures	473,077	943,702	99
o.w. Excluding Interest Payments	443,615	868,620	96
o.w. Interest Payments	29,462	75,082	155

ECONOMIC OUTLOOK

A. Global Prospects and Domestic Policies

We anticipate that financial and geopolitical conditions would suppress global demand in the near term and the softening in commodity prices would be limited. Monetary policy in many countries, especially in the USA and Europe, is expected to continue in a tight framework in 2023-24. This drags down global economic growth. We expect that geopolitical developments will increase Brent oil prices until the end of 2023 and allow a limited comeback during the 2024-25 period. We also expect the pressure on food prices to remain high due to global climate change.

Our monetary policy framework is based on the assumption of additional and gradual rate hikes. With additional rate hikes, we expect the policy rate to peak at 40 percent in 2023, and at 45 percent by the second quarter of 2024.

Our tax policy framework is based on the assumption of new but limited tax measures. We do not foresee any significant tax hikes before the local elections of 2024. After the elections, we expect new measures to be introduced by the authorities, but we predict that they will be limited in size given the anticipated contraction in domestic demand. We also believe that the authorities would avoid taking firm measures to expand the tax base or combat informality.

Our public expenditure policy framework is based on the assumption of limited spending cuts. We expect that the tightening will occur mainly through real wage cuts to public personnel and a reduction in investments and current expenditures. On the other hand, before the 2024 local elections, we believe it is likely for the authorities to increase spending to stimulate the economy. Last, we do not anticipate any significant structural reforms in major spending items such as pensions and healthcare.

We expect a sharp deterioration in public finance in 2023-25. We foresee a rapid deterioration in the public budget given the magnitude of the expenditures related to the post-earthquake reconstruction, the pension system, and the public personnel, and the increase in spending due to the significant depreciation of the exchange rate and rising domestic interest rates. On the revenue side, we evaluate that the revenue generation capacity of additional tax increases will be low given the slowdown in domestic demand and a large shadow economy.

We expect financial risk indicators to improve but limited international capital inflows in the short term. This is mainly because we anticipate the real interest rates to remain negative, the continuation of capital and financial market regulations, and low economic growth during the 2024-25 period.

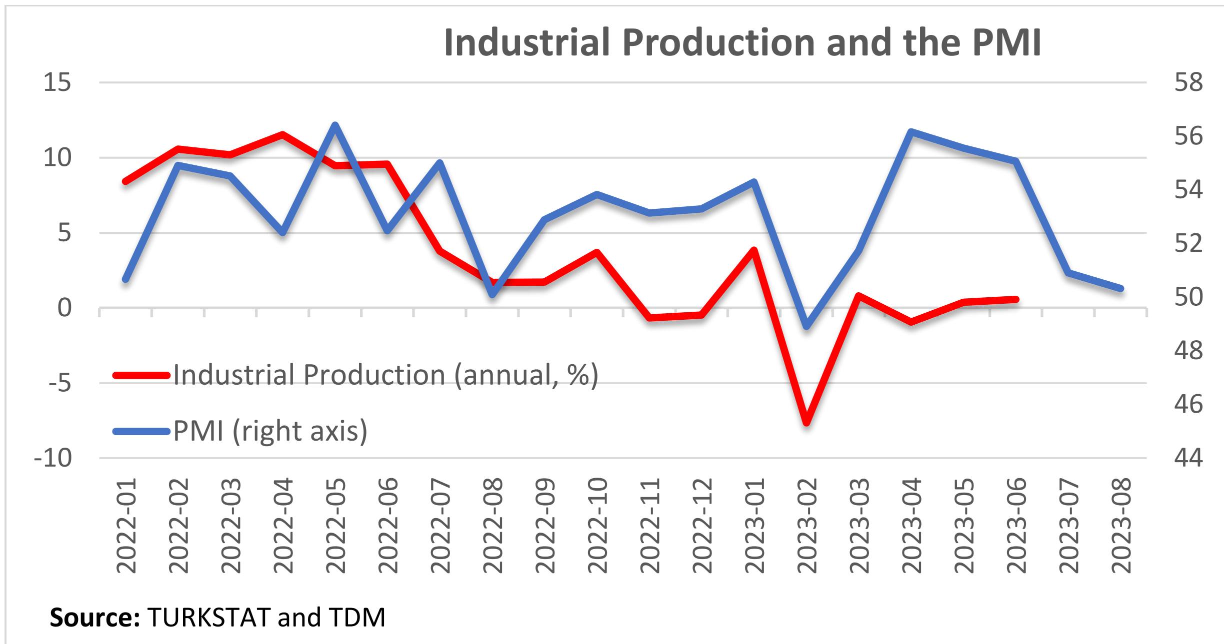
We believe various structural issues to be a drag on growth in the short term. We foresee structural rigidities to continue in various areas, such as the rule of law, education, the labor market, and the climate crises. Therefore, we believe economic growth in this period will be driven by the growth of capital and labor, but total factor productivity will remain negligible, as measured after the 2010s [Acemoğlu D. and M. Üçer (2022)].

B. Real Economy and the Labor Market

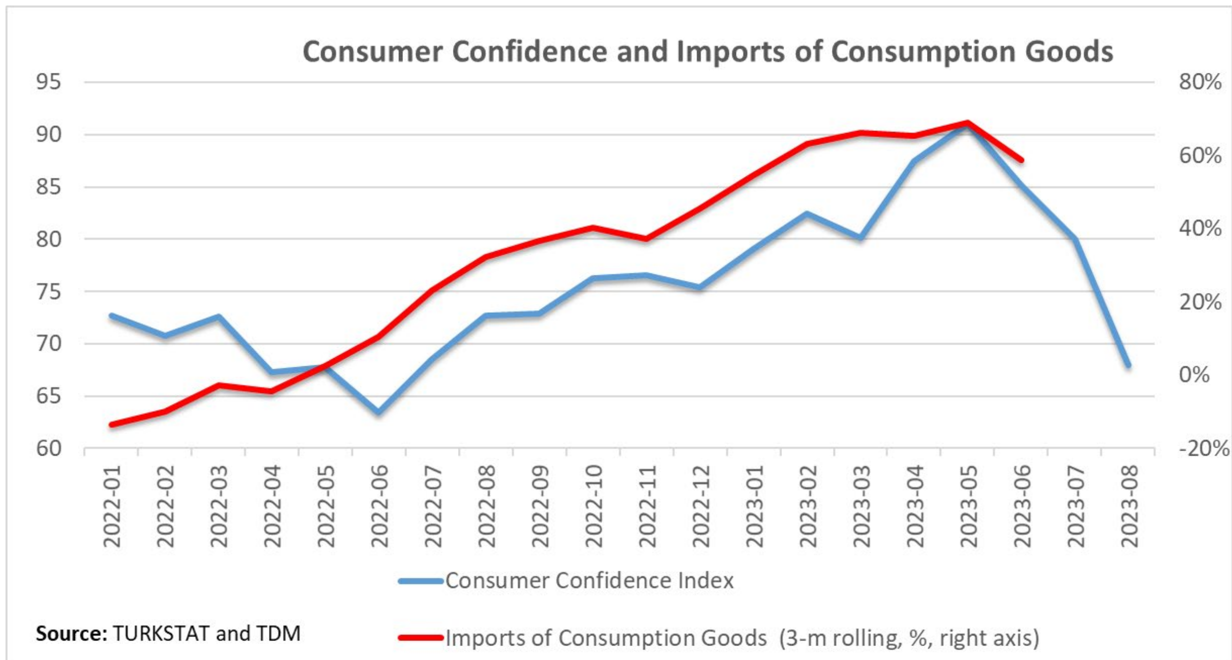
Economic activity grew rapidly in the first half of the year, driven by domestic demand. The economy grew by 3.9 percent in the first half of 2023 compared to the first half of 2022. Expansionary policies leading to high inflation and rising risk indicators caused the frontloading of consumption and created an inflation-consumption spiral. Therefore, in this period, consumption increased by 16.4 percent and imports increased by 17.4 percent.

On the production side, services and the financial sector were the drivers of growth. In the first half of the year, these sectors grew at 9.1 and 9.7 percent, respectively. The negative real interest rate policy, a high inflation environment, and rising financial regulations have played a major role in this outcome. On the other hand, in the first half of the year, with the devastating effects of the earthquake originating in Kahramanmaraş, agricultural production remained stagnant, while industrial production shrank by 1.8 percent.

Recent data on production also point to a cooling down in the economy. Industrial production and the PMI, which are among the important leading indicators of production, started a downward trend during the summer months.

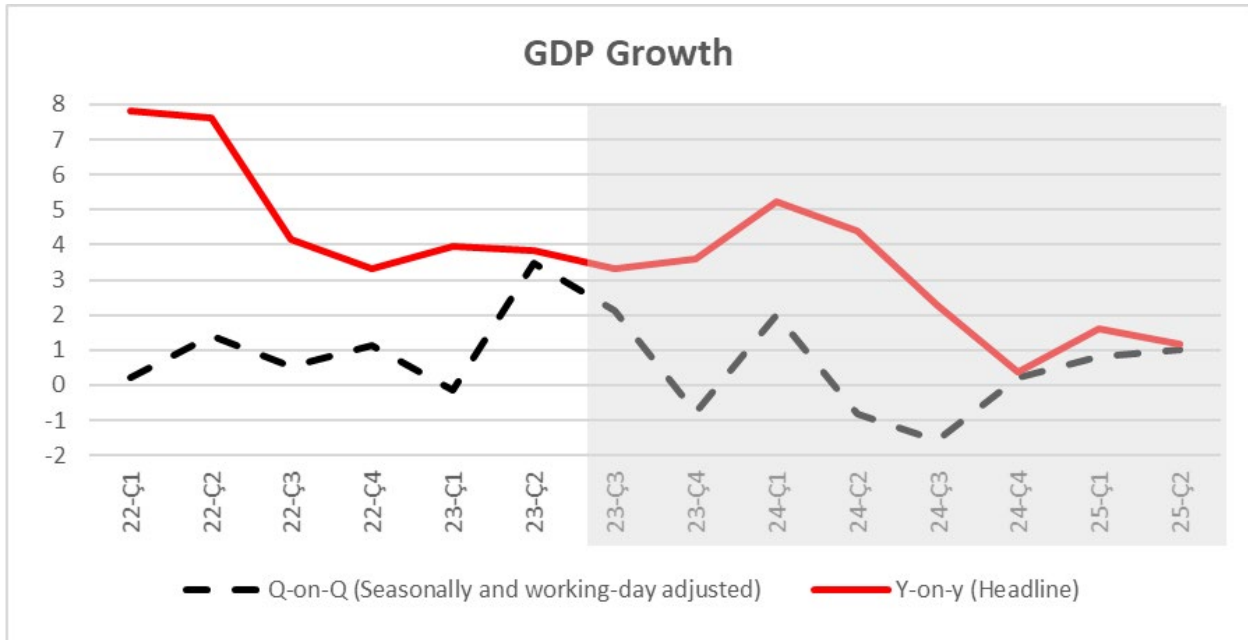


Similarly, indicators related to consumer confidence and consumption are also downward. Consumer confidence index decreased sharply due to the reduction of access to credit and the deterioration of households' purchasing power due to high inflation. On the other hand, imports of consumer goods have plateaued, but remain high at 60 percent annually. These and other indicators of consumption show that the positive momentum in consumption will continue in the 3rd quarter of the year.

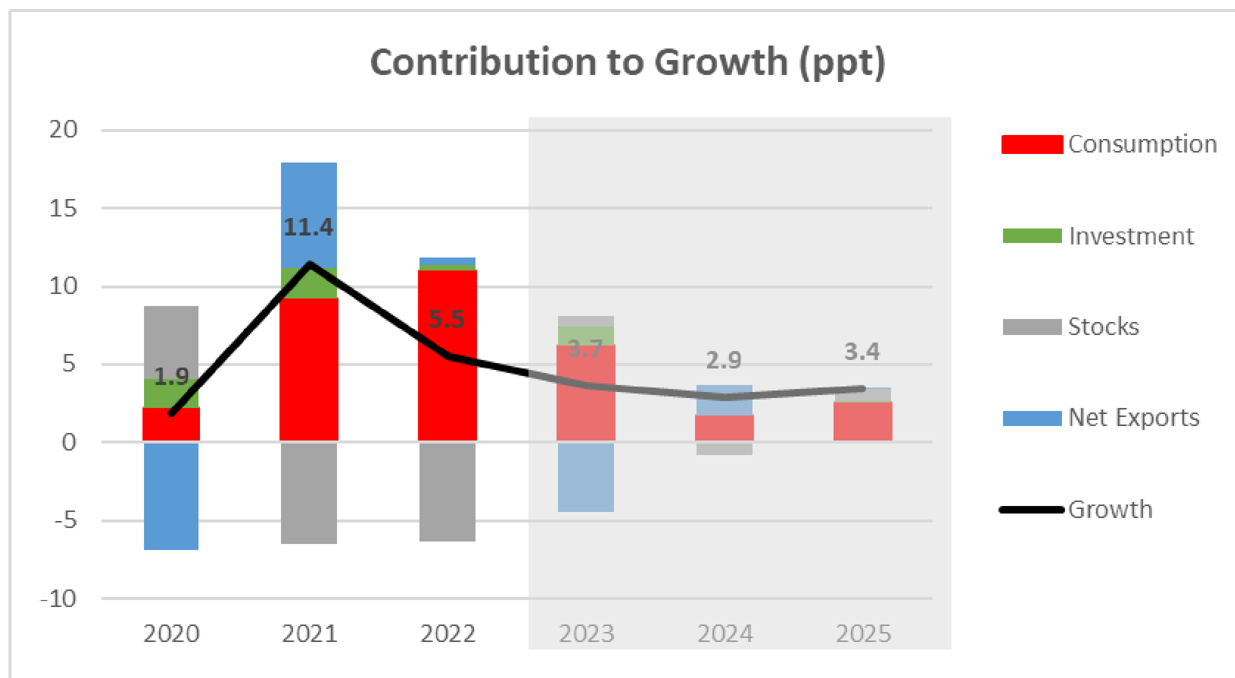


In the second half of the year, the economy is expected to cool down due to the tightening of monetary policy and financial conditions. We estimate that consumption will slow down on a quarter-on-quarter basis in the third quarter of 2023, and decrease in the last quarter. Our projections on investment point to a contraction both in the 3rd and 4th quarters of 2023, given the companies' limited access to finance.

We project that the domestic demand will slow down sharply in 2024. Despite our expectation of an expansionary fiscal policy ahead of the 2024 local elections, rising real interest rates and the constraints on access to finance will suppress the domestic demand. On the other hand, the weak outlook on global demand in 2024 will also put a drag on export growth (IMF 2023).



We forecast a slowdown in economic growth due to weak domestic demand. Based on a sluggish domestic demand in the second half of 2023, we project economic growth at around 3.7 percent. Our analysis shows that growth will decline to 2.9 percent in 2024 due to the tightening in financial conditions. In 2025, our models indicate growth to increase to 3.4 percent based on a better macro-financial setup. Our models rely on the assumption that the disinflation process and improved macro-financial indicators will attract international capital inflows supporting growth and a better macro setup in return. However, one should also note that these inflows will be limited in size given that gains will be gradual on the disinflation path. Last, shocks to the global macro-financial conditions and the implementation of monetary and fiscal policies may pose upside or downside risks to the economic outlook.



We anticipate employment opportunities to remain limited in the near term. Our models indicate that the services sector, which is the main driver of employment in the Turkish economy, will create limited employment due to weak domestic demand. We estimate the unemployment rate to be in the range of 11-13 percent during 2024 and 2025. We anticipate that the labor market will be even more rigid for youth, women, and disadvantaged groups.

	2019	2020	2021	2022	2023	2024	2025
Employment (Million People)	**28.0**	**26.7**	**28.8**	**30.7**	**31.7**	**32.4**	**33.1**
Unemployment (Million People)	**4.5**	**4.0**	**3.9**	**3.6**	**3.7**	**4.3**	**4.9**
Unemployment Rate (%)	**11.3**	**13.6**	**12.4**	**11.5**	**10.2**	**11.7**	**12.8**

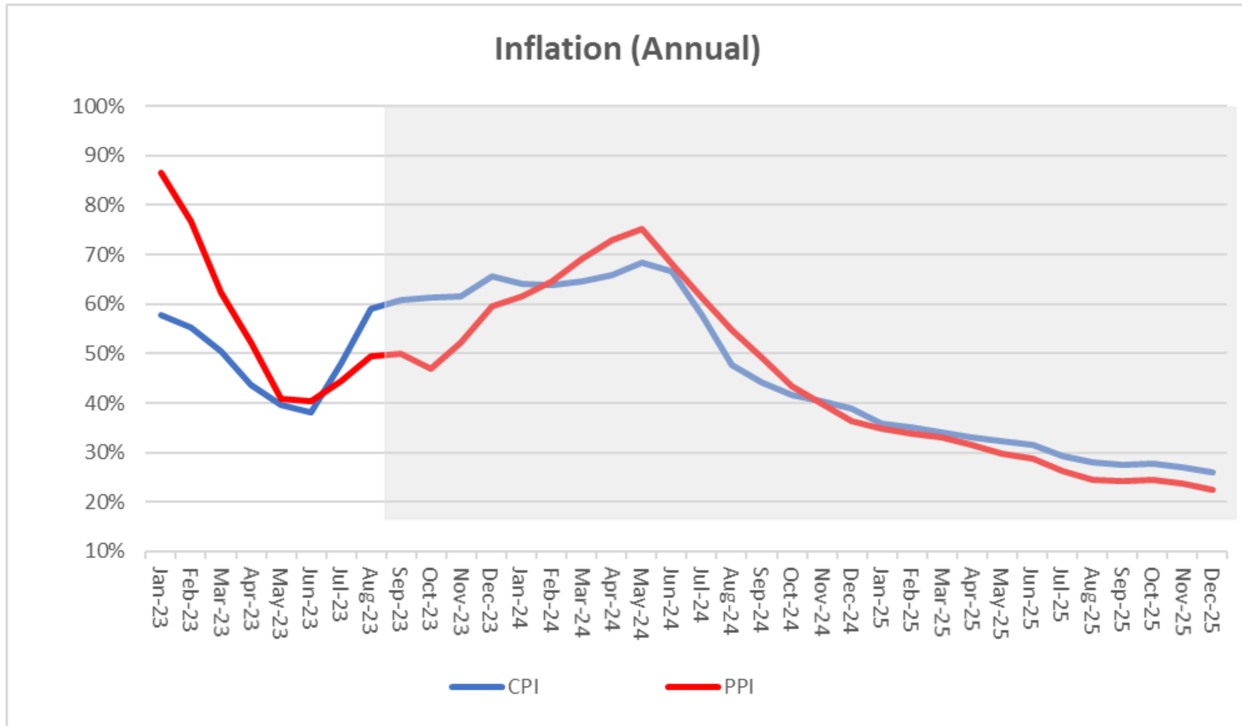
C. Inflation

We expect the disinflation process to last over the medium term due to the gradual tightening of monetary policy. Inflation expectations have increased recently, due to the rapid depreciation of the exchange rate, high wage hikes, and rise in indirect taxes (CBRT 2023). The gradual tightening in monetary policy also prolongs the real negative interest rate period, causing the inertia in high inflation to continue.

In addition, high dollarization in the economy limits the effectiveness of monetary policy. In this context, we expect consumer inflation at 66 percent by the end of 2023.

We predict inflation to peak in the first half of 2024 and decline slowly in the second half of the year. We forecast that inflation will remain high in the 60-70 percent range in the first half of 2024. This outcome is based on the following assumptions: public expenditures will support domestic demand in the first half of 2024, de facto real interest rates will remain negative, and the base effects and the deterioration in inflation expectations will support high annual inflation. In this context, we assess that the Central Bank will hike the policy rate by an additional 5 ppts. We project that the additional tightening will trigger the disinflation process albeit in a slower paste. Given this setup, we project the inflation rate at around 40 percent at the end of 2024.

In the medium term, we project a disinflationary process to be supported by rising real interest rates. Positive real interest rates will also be necessary to limit domestic demand while public expenditures remain high. We forecast consumer prices to decrease to around 26 percent by the end of 2025.

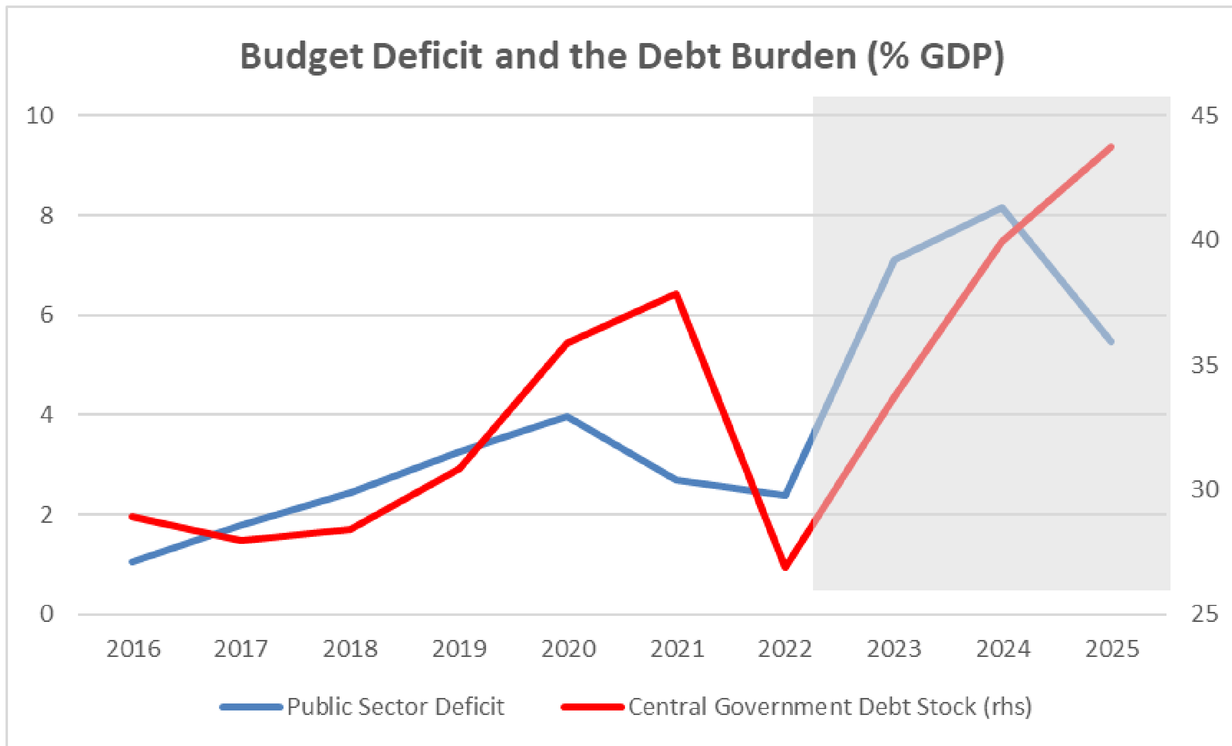


D. Public Sector

Public finance will be one of the most challenging sectors for economic management in the medium term. We assess a limited potential for rising revenues as a share of GDP amid weak domestic demand, a limited tax base, and increasing informality. On the other hand, expenditures need structural reforms, especially in social security and the healthcare system. Additionally, real-wage hikes given to the public personnel will also increase the spending base in the following years. The recent depreciation of the

exchange rate and rising domestic interest rates will also increase public expenditures, especially interest payments. Last, there is a large spending bill originating from the reconstruction plan for the Kahramanmaraş-centered earthquake (2024-26 Medium-Term Programme).

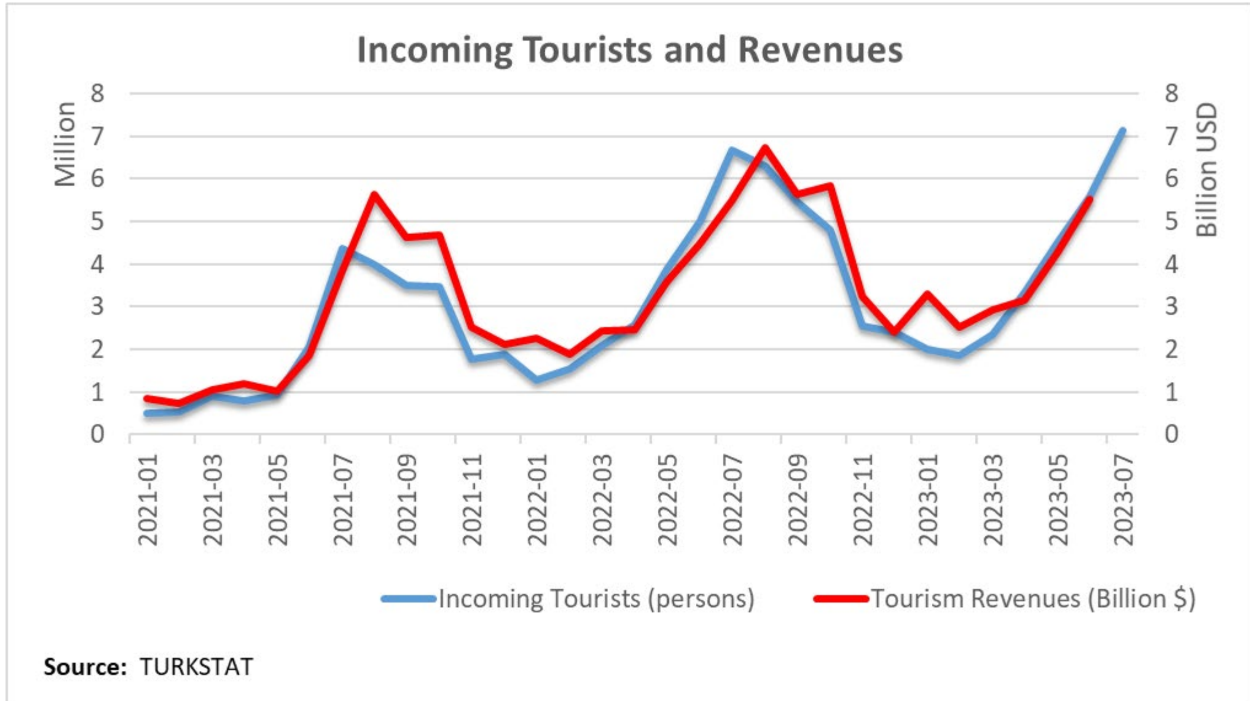
We expect the public deficit to be hefty in the medium term. We estimate the ratio of public sector deficit at 7.1 percent of GDP in 2023. We project the deficit to increase to around 8 percent of GDP in 2024 and to be around 5.5 percent in 2025. There are two main reasons why we foresee a higher public sector deficit than it is foreseen in the 2024-26 Medium-Term Program (MTP). First, our forecast model indicates that due to rising real rates, economic activity will be weaker than the one projected at the MTP. Therefore, despite new tax measures, tax revenues as a share of GDP will be limited by weak domestic demand. Second, we forecast that interest payments as a share of GDP will be rising due to the increase in domestic interest rates and the depreciation of the exchange rate. We also expect that the authorities will loosen the bank regulations by forcing them to hold fixed-rate public debt, which will also increase the interest rates on public debt.



We forecast the debt burden to increase along with the rising public sector deficit. We estimate that the share of the central government debt stock will be at 34 percent, 40 percent, and 44 percent of GDP, respectively, in 2023-25.

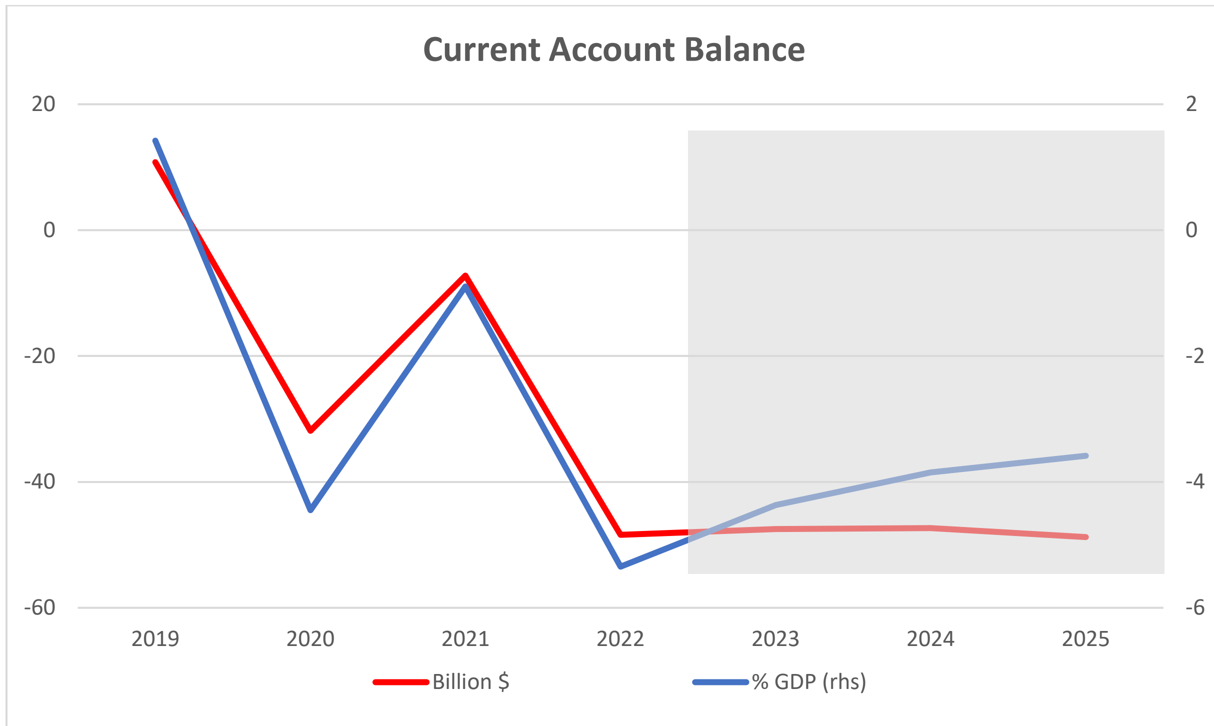
E. External Sector

Despite high tourism revenues, we expect the current account deficit to remain high in 2023. In the summer of 2023, the number of tourists reached the pre-pandemic level and supported a significant amount of foreign currency inflows into the country. However, imports remained very high because of booming domestic demand and the demand for gold. Therefore, the current account deficit reached $36.8 billion in the first half of the year.



Source: TURKSTAT

We anticipate the current account deficit to decrease with the contraction in domestic demand. Our models show that the 12-month cumulative current account deficit, which reached $56.5 billion as of June, would decrease to $47 billion by the end of the year. Our forecast model shows that, depending on the impact of the monetary tightening process on domestic demand, the current account deficit will decline to around 3.6 percent of GDP in 2025. Changes in global sentiment, global financial conditions, and external demand, and a change of direction in economic and structural policies may pose upside or downside risks to our current account projections.



F. Risks to the Outlook

There are various upside and downside risks to the economic outlook. Unexpected developments regarding monetary policy, access to international financing, and structural issues may create upward or downward risks on the economic outlook.

We consider that there are three main downside risks. The first of these risks is related to the Central Bank's monetary tightening policy. A lack of confidence in the independence of the Central Bank or the effectiveness of its policies may have a negative impact on financial risk indicators and inflation. The fact that the share of foreign currency and KKM in total deposits is more than half of total deposits, increases the multiplier effect of this risk. The second risk is Turkey's access to international finance. Although financial risk indicators have improved, they still indicate high fragility and do not support portfolio inflows in the country. The deterioration in perception may lead to a sharp contraction in external financing, exchange rate depreciation, and a decline in economic activity. The third is the risk of long-term deterioration in public financial balances.

There are also upside risks to the economic outlook. With the rising confidence of the locals in the economic management team, the de-dollarization process could be faster supporting a shorter and less costly disinflation process. The second upside risk may materialize if there is a significant increase in capital inflows to Turkey. This will particularly help the public sector finance more easily the required financing needs in 2024. The rapid allocation of the funds that are announced to be coming from the UAE

and the World Bank could fasten this process. In third place is the rapid implementation of structural reforms thus increasing Turkey's sustainable growth potential.

REFERENCES

Acemoğlu D. and M. Üçer (2022) "Türkiye'de Yüksek ve Düşük Kaliteli Büyümü: Sebep ve Sonuçlar".

Aydın Özüdoğru, B. (2023) ""The Impact of and Policies for the 2023 Kahramanmaraş Earthquake", March 2023, The Economic Policy Research Foundation of Turkey..

Aydın B. ve D. Igan (2012) "Bank Lending in Turkey: Effects of Monetary and Fiscal Policies," with Deniz Igan, 2012, Emerging Markets Finance and Trade.

IMF (2023) "World Economic Outlook", April 2023.

IMF (2022) "Toward an Integrated Policy Framework", Ekim 2022.

IMF (2022) "Republic of TÜRKİYE Financial Sector Assessment".

IMF (2021) "Turkey: 2021 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Turkey".

Presidency of Strategy and Budget of Türkiye (2023) "The Medium Term Programme (2024-26)".

Presidency of Strategy and Budget of Türkiye (2023) "Kahramanmaraş ve Hatay Deprem Raporu".

Presidency of Strategy and Budget of Türkiye (2021) "2022 Yılı Cumhurbaşkanlığı Programı".

The Central Bank of the Republic of Türkiye (2023) "Inflation Report 3".

The White House (2022) "Inflation Reduction Act of 2022 (IRA)".

TABLES: Selected Economic Indicators

Table 1: Real Economy and the Labor Force, Quarterly

	22-Q4	23-Q1	23-Q2	23-Q3	23-Q4	24-Q1	24-Q2
Q-on-Q Change (%, Seasonally and Working Day Adjusted)							
Consumption	4.0	2.7	4.8	3.0	-1.0	2.1	-0.5
Household	5.3	3.0	5.2	3.1	-1.5	2.1	-0.6
Public	4.1	1.2	2.3	2.5	0.5	2.5	0.5
Investment	-1.8	3.0	2.2	-0.5	-2.5	3.0	-2.5
Export	-2.8	0.1	-1.8	4.6	7.8	-0.8	1.0
Import (-)	4.5	1.7	5.2	1.8	-3.1	3.0	-0.9
Gross Domestic Product	1.1	-0.1	3.5	2.1	-0.8	2.0	-0.8
Y-on-Y Change (%, Headline)							
Consumption	14.2	15.5	14.0	7.8	1.4	8.9	3.5
Household	15.9	17.3	15.6	8.5	0.7	9.1	3.0
Public	-2.2	6.1	5.3	4.1	4.5	8.5	6.6
Investment	6.5	3.7	5.1	6.6	1.4	2.1	-1.9
Export	-3.3	-2.6	-9.0	0.9	10.1	9.9	13.0
Import (-)	10.4	14.2	20.3	12.0	0.1	6.8	0.7
Gross Domestic Product	3.3	3.9	3.8	3.3	3.6	5.2	4.4
Y-on-Y Contribution to Growth (ppt, Headline)							
Domestic Demand	10.0	11.6	11.2	7.1	1.1	6.9	1.9
Consumption	9.8	10.5	9.5	5.4	0.7	6.4	2.5
Household	9.0	9.7	8.9	4.8	0.2	5.3	1.7
Public	0.8	0.7	0.6	0.5	0.5	1.1	0.8
Investment	0.1	1.2	1.6	1.7	0.4	0.5	-0.7
Stocks	-0.8	-1.6	3.9	0.5	-0.2	-2.1	-1.6
Net Exports	-5.8	-6.1	-11.3	-4.3	2.7	0.4	4.1
Export	-1.0	-1.0	-3.6	0.4	3.7	3.3	4.2
Import (-)	4.7	5.1	7.7	4.6	1.0	2.8	0.1
Employment (Period Average)							
Employment (Million People)	31.6	31.0	31.7	31.8	32.3	32.1	32.6
Unemployment (Million People)	3.5	3.6	3.1	4.0	4.0	3.7	3.4
Unemployment Rate (%)	11.4	9.7	9.0	11.2	11.0	10.4	9.5

Table 2: Real Economy and the Labor Force, Annual

	2020	2021	2022	2023	2024	2025
Economic Growth (%)						
Domestic Demand	4.1	11.5	12.5	8.0	1.7	3.0
Consumption	3.0	13.0	16.3	9.1	2.3	3.7
Household	3.2	15.4	19.0	9.8	1.8	3.7
Public	2.2	3.0	4.2	4.9	4.8	3.8
Investment	7.3	7.2	1.3	4.2	-0.3	0.3
Export	-14.6	25.1	9.9	0.1	7.9	4.3
Import (-)	6.8	1.7	8.6	10.5	1.4	3.6
Gross Domestic Product	**1.9**	**11.4**	**5.5**	**3.7**	**2.9**	**3.4**
Contribution to Growth (ppt)						
Domestic Demand	4.1	11.2	11.3	7.4	1.6	2.6
Consumption	2.2	9.2	11.0	6.2	1.7	2.6
Household	1.8	8.7	10.4	5.6	1.1	2.1
Public	0.3	0.5	0.5	0.6	0.6	0.5
Investment	1.9	2.0	0.4	1.2	-0.1	0.1
Stocks	4.7	-6.5	-6.3	0.7	-0.7	0.8
Net Exports	-6.9	6.8	0.5	-4.5	2.0	0.0
Export	-4.8	7.3	3.6	0.0	2.6	1.4
Import (-)	2.0	0.5	3.0	4.5	0.5	1.3
Economic Size (%)						
GDP (Billion TL)	5,049	7,256	15,012	26,202	44,122	61,645
GDP (Billion $)	717	807	906	1,069	1,132	1,209
GDP per Capita ($)	8,600	9,592	10,655	12,424	12,981	13,683
Employment (Period Average)						
Employment (Million People)	26.7	28.8	30.7	31.7	32.4	33.1
Unemployment (Million Peopl	4.0	3.9	3.6	3.7	4.3	4.9
Unemployment Rate (%)	13.6	12.4	11.5	10.2	11.7	12.8

Table 3: Prices, Quarterly

	22-Q4	23-Q1	23-Q2	23-Q3	23-Q4	24-Q1	24-Q2
Prices (%, Change)							
CPI (eop)	64.3	50.5	38.2	60.9	65.6	64.7	66.5
CPI (pa)	77.4	54.3	40.4	56.0	62.8	64.2	66.9
PPI (eop)	97.7	62.5	40.4	50.0	59.5	69.2	68.0
PPI (pa)	127.7	74.5	44.1	48.0	52.9	65.2	72.0
Commercial Credit Interest Rate (pa)	16.0	13.5	14.9	31.1	42.3	44.5	48.4
Consumer Credit Interest Rate (pa)	25.7	23.5	24.8	35.7	45.3	47.5	51.4
Deposit Interest Rate (pa)	21.1	26.4	33.1	32.8	39.3	41.5	45.4
Exchange Rate ($/TL, eop)	18.6	19.0	23.1	27.6	30.3	33.7	35.6
Exchange Rate ($/TL, pa)	18.6	18.8	20.7	27.0	29.3	32.6	35.2
Oil Prices - (Brent, $, pa)	88.6	80.9	76.1	84.9	92.6	94.5	91.6

Table 4: Prices, Annual

	2020	2021	2022	2023	2024	2025
Prices (%, Change)						
CPI (eop)	13.5	25.8	64.3	65.6	38.9	26.0
CPI (pa)	12.3	19.6	72.3	53.8	53.6	30.3
PPI (eop)	22.2	60.6	97.7	59.5	36.4	22.5
PPI (pa)	12.2	43.9	128.5	53.5	56.2	27.8
Commercial Credit Interest Rate (pa)	12.4	20.1	21.7	25.4	47.7	42.7
Consumer Credit Interest Rate (pa)	15.2	23.5	26.2	32.3	50.7	45.7
Deposit Interest Rate (pa)	10.8	18.1	19.0	32.9	44.7	39.7
Exchange Rate ($/TL, eop)	7.7	13.5	18.6	30.3	40.1	49.6
Exchange Rate ($/TL, pa)	7.0	8.8	16.5	23.9	35.7	45.1
Oil Prices - (Brent, $, pa)	41.8	69.6	100.8	83.6	91.3	89.6

Table 5: Current Account, Quarterly

	22-Q4	23-Q1	23-Q2	23-Q3	23-Q4	24-Q1	24-Q2
Current Account (Billion $)							
Current Account Balance	**-10,637**	**-24,227**	**-12,576**	**-7,478**	**-3,183**	**-31,069**	**-11,713**
Trade Balance	-21,678	-29,359	-21,316	-26,392	-14,577	-37,377	-22,506
Export of Goods	65,589	61,003	60,695	64,667	69,636	64,456	64,053
Import of Goods	87,267	90,362	82,011	91,059	84,213	101,833	86,558
Services Account Balance	12,277	7,745	11,986	20,586	13,144	8,258	12,742
o.w. Tourism	8,738	6,291	9,674	16,812	9,355	6,707	10,284
Prices							
Real Exchange Rate (CPI)	55.4	58.5	56.3	52.0	54.6	53.0	52.7
Real Exchange Rate (PPI)	92.2	94.1	91.7	82.8	85.3	85.9	88.7
Brent Petrol	88.6	80.9	76.1	84.9	92.6	94.5	91.6

Table 6: Current Account, Annual

	2020	2021	2022	2023/1	2023	2024	2025
Current Account (Billion $)							
Current Account Balance	**-31,888**	**-7,232**	**-48,409**	**-56,491**	**-47,463**	**-47,335**	**-48,764**
Trade Balance	-37,874	-29,313	-89,521	-99,289	-91,644	-96,289	-100,804
Export of Goods	168,378	224,686	253,378	249,282	256,001	268,841	282,994
Import of Goods	206,252	253,999	342,899	348,571	347,645	365,130	383,798
Services Account Balance	14,359	31,812	50,069	51,919	53,461	56,753	59,840
o.w. Tourism	12,290	24,984	37,317	39,335	42,132	44,730	47,166
Current Account (% GDP)							
Current Account Balance	**-4.4**	**-0.9**	**-5.3**	**-5.5**	**-4.4**	**-3.9**	**-3.6**
Trade Balance	-5.3	-3.6	-9.9	-9.7	-8.4	-7.8	-7.4
Export of Goods	23.5	27.8	28.0	24.4	23.6	21.9	20.8
Import of Goods	28.8	31.5	37.9	34.1	32.0	29.7	28.2
Services Account Balance	2.0	3.9	5.5	5.1	4.9	4.6	4.4
o.w. Tourism	1.7	3.1	4.1	3.9	3.9	3.6	3.5
Prices							
Real Exchange Rate (CPI)	67.3	60.4	54.3	55.9	55.3	54.2	54.2
Real Exchange Rate (PPI)	76.6	76.1	83.0	90.5	88.5	88.3	86.4
Brent Petrol	41.8	70.7	100.8	86.6	83.6	91.3	89.6

Notes:
1/ June 23, 12 month cumulative

Table 7: Central Government Budget and the Debt Stock

(Billion TL)	2020	2021	2022	2023/1	2023	2024	2025
Central Government Revenues	**1,028**	**1,402**	**2,802**	**3,417**	**5,020**	**8,692**	**12,576**
Tax Revenues	833	1,165	2,353	2,922	4,350	7,589	10,973
Personal Income Tax	159	220	356	476	681	1,280	1,849
Corporate Income Tax	105	178	507	535	812	1,412	2,034
VAT (Domestic)	72	123	175	227	419	706	1,110
Excise Taxes	207	205	420	579	865	1,500	2,158
Import Taxes	185	297	658	784	1,127	1,941	2,774
Other Taxes	105	141	236	320	445	750	1,048
Non-Tax Revenues	195	237	449	495	671	1,103	1,603
Central Government Expenditures	**1,204**	**1,604**	**2,941**	**4,133**	**6,827**	**12,324**	**16,133**
Non-Interest Expenditures	1,070	1,423	2,631	3,682	6,116	10,774	13,536
Public Personnel incl. Premiums	336	404	712	1,055	1,596	3,133	4,223
Consumption of Goods & Services	97	133	257	337	463	773	1,050
Current Transfers	498	627	1,126	1,682	2,598	4,617	6,019
Public Investment	94	131	276	345	555	882	1,134
Other Expenditures	45	127	259	261	904	1,368	1,110
Interest Expenditures	134	181	311	451	711	1,550	2,597
Budget Balance	**-175**	**-202**	**-139**	**-716**	**-1,806**	**-3,632**	**-3,557**
Budget Balance excl. Interest Payments	**-41**	**-21**	**172**	**-264**	**-1,096**	**-2,081**	**-960**
Central Government Debt Stock	**1,813**	**2,748**	**4,033**	**5,617**	**8,842**	**17,639**	**26,969**
GDP							

(% GDP)	2020	2021	2022	2023/1	2023	2024	2025
Central Government Revenues	**20.4**	**19.3**	**18.7**	**17.8**	**19.2**	**19.7**	**20.4**
Tax Revenues	**16.5**	**16.1**	**15.7**	**15.2**	**16.6**	**17.2**	**17.8**
Personal Income Tax	3.1	3.0	2.4	2.5	2.6	2.9	3.0
Corporate Income Tax	2.1	2.5	3.4	2.8	3.1	3.2	3.3
VAT (Domestic)	1.4	1.7	1.2	1.2	1.6	1.6	1.8
Excise Taxes	4.1	2.8	2.8	3.0	3.3	3.4	3.5
Import Taxes	3.7	4.1	4.4	4.1	4.3	4.4	4.5
Other Taxes	2.1	1.9	1.6	1.7	1.7	1.7	1.7
Non-Tax Revenues	**3.9**	**3.3**	**3.0**	**2.6**	**2.6**	**2.5**	**2.6**
Central Government Expenditures	**23.8**	**22.1**	**19.6**	**21.5**	**26.1**	**27.9**	**26.2**
Non-Interest Expenditures	**21.2**	**19.6**	**17.5**	**19.2**	**23.3**	**24.4**	**22.0**
Public Personnel incl. Premiums	6.7	5.6	4.7	5.5	6.1	7.1	6.9
Consumption of Goods & Services	1.9	1.8	1.7	1.8	1.8	1.8	1.7
Current Transfers	9.9	8.6	7.5	8.8	9.9	10.5	9.8
Public Investment	1.9	1.8	1.8	1.8	2.1	2.0	1.8
Other Expenditures	0.9	1.8	1.7	1.4	3.45	3.1	1.8
Interest Expenditures	2.7	2.5	2.1	2.4	2.7	3.5	4.2
Budget Balance	**-3.5**	**-2.8**	**-0.9**	**-3.7**	**-6.9**	**-8.2**	**-5.8**
Budget Balance excl. Interest Payments	**-0.8**	**-0.3**	**1.1**	**-1.4**	**-4.2**	**-4.7**	**-1.6**
Central Government Debt Stock	**35.9**	**37.9**	**26.9**	**29.2**	**33.7**	**40.0**	**43.7**

Notes:
1/ June 23, 12 month cumulative

Table 8: General Government Balance

(Billion TL)	2020	2021	2022	2023	2024	2025
Public Sector Balance	**-201**	**-196**	**-358**	**-1,864**	**-3,596**	**-3,372**
General Government	**-201**	**-176**	**-120**	**-1,838**	**-3,552**	**-3,372**
Central Government	-175	-202	-143	-1,806	-3,632	-3,557
Local Government	4	0	-40	-84	0	0
Nonbudgetary Funds	1	10	20	0	18	62
Unemployment Fund	-28	18	34	52	62	123
Social Security Institutions	-2	0	7	0	0	0
Fixed Capital Establishments	-1	-1	2	0	0	0
State-owned Enterprises	**0**	**-20**	**-238**	**-26**	**-44**	**0**
GDP	5,048	7,249	15,007	26,202	44,122	61,645

(% GDP)	2020	2021	2022	2023	2024	2025
Public Sector Balance	**-4.0**	**-2.7**	**-2.4**	**-7.1**	**-8.2**	**-5.5**
General Government	**-4.0**	**-2.4**	**-0.8**	**-7.0**	**-8.1**	**-5.5**
Central Government	-3.5	-2.8	-1.0	-6.9	-8.2	-5.8
Local Government	0.1	0.0	-0.3	-0.3	0.0	0.0
Nonbudgetary Funds	0.0	0.1	0.1	0.0	0.0	0.1
Unemployment Fund	-0.6	0.2	0.2	0.2	0.1	0.2
Social Security Institutions	0.0	0.0	0.0	0.0	0.0	0.0
Fixed Capital Establishments	0.0	0.0	0.0	0.0	0.0	0.0
State-owned Enterprises	**0.0**	**-0.3**	**-1.6**	**-0.1**	**-0.1**	**0.0**